



SENATE BILL No. 1102

April 19, 1994, Introduced by Senator DE GROW and referred
to the Committee on Appropriations

A bill to amend section 41 of Act No 300 of the Public Acts
of 1980, entitled

"The public school employees retirement act of 1979,"

as amended by Act No 164 of the Public Acts of 1993, being
section 38 1341 of the Michigan Compiled Laws

THE PEOPLE OF THE STATE OF MICHIGAN ENACT

1 Section 1 Section 41 of Act No 300 of the Public Acts of
2 1980, as amended by Act No 164 of the Public Acts of 1993, being
3 section 38 1341 of the Michigan Compiled Laws, is amended to read
4 as follows

5 Sec 41 (1) The annual level percentage of payroll contri-
6 bution rate to finance benefits being provided and to be provided
7 by the retirement system shall be determined by actuarial
8 valuation ~~pursuant to~~ UNDER subsection (2) upon the basis of
9 the risk assumptions that the retirement board and the department

1 adopt after consultation with the state treasurer and an
2 actuary An annual actuarial valuation shall be made of the
3 retirement system ~~in order~~ to determine the actuarial condition
4 of the retirement system and the required contribution to the
5 retirement system An annual actuarial gain-loss experience
6 study of the retirement system shall be made ~~in order~~ to deter-
7 mine the financial effect of variations of actual retirement
8 system experience from projected experience

9 (2) The contribution rate for benefits payable in the event
10 of the death of a member before retirement or the disability of a
11 member shall be computed using a terminal funding method of
12 valuation Except as otherwise provided in this subsection, the
13 contribution rate for other benefits, including health benefits,
14 shall be computed using an individual projected benefit entry age
15 normal cost method of valuation For the 1993-94 state fiscal
16 year, the contribution rate for health benefits shall be computed
17 using a cash disbursement method The contribution rate for
18 service likely to be rendered in the current year, the normal
19 cost contribution rate, shall be equal to the aggregate amount of
20 individual projected benefit entry age normal costs divided by 1st
21 of the aggregate amount of active members' valuation
22 compensation The contribution rate for unfunded service
23 rendered before the valuation date, the unfunded actuarial
24 accrued liability contribution rate, shall be the aggregate
25 amount of unfunded actuarial accrued liabilities divided by 1st of
26 the actuarial present value over a period not to exceed 50 years
27 of projected valuation compensation, where unfunded actuarial

1 accrued liabilities are equal to the actuarial present value of
2 benefits reduced by the actuarial present value of future normal
3 cost contributions and the actuarial value of assets on the valu-
4 ation date

5 (3) The contribution amounts determined under subsection (2)
6 reduced by contributions projected to be made under sections 42
7 and 69g shall be appropriated annually Except as provided in
8 section 69g, the appropriation shall be paid from the state
9 school aid fund for members ~~of the retirement system~~ who are
10 employees of a public school district or intermediate school dis-
11 trict and from the general fund of this state for members who are
12 other public school employees

13 (4) Before November 1 of each year, the department shall
14 certify to the superintendent of public instruction and the
15 director of the department the aggregate compensation estimated
16 to be paid public school employees for the current state fiscal
17 year

18 (5) On the basis of the estimate under subsection (4), ~~and~~
19 the annual actuarial valuation AND ANY ADJUSTMENT REQUIRED UNDER
20 SUBSECTION (7), the superintendent of public instruction and the
21 director of the department shall compute the sum due and payable
22 to the retirement system and shall certify this amount to the
23 state treasurer

24 (6) The state treasurer shall make payment of the amount
25 certified UNDER SUBSECTION (5) to the superintendent of public
26 instruction and the director of the department in 12 equal
27 monthly installments

1 (7) Not later than 90 days after termination of each state
2 fiscal year, the executive secretary of the retirement board
3 shall certify to the superintendent of public instruction and the
4 director of the department the actual aggregate compensation paid
5 to public school employees during the preceding state fiscal
6 year. Upon receipt of that certification the superintendent of
7 public instruction and the director of the department shall com-
8 pute any adjustment required to the amount included in the annual
9 appropriations act for the preceding state fiscal year due to a
10 difference between the estimated and the actual aggregate compen-
11 sation and the estimated and the actual actuarial employer con-
12 tribution rate. Except as otherwise provided in subsection (10),
13 the difference, if any, FOR MEMBERS WHO ARE EMPLOYEES OF A PUBLIC
14 SCHOOL DISTRICT OR INTERMEDIATE SCHOOL DISTRICT shall be submit-
15 ted in the executive budget to the legislature for appropriation
16 in the next succeeding state fiscal year AND THE DIFFERENCE, IF
17 ANY. FOR MEMBERS WHO ARE OTHER PUBLIC SCHOOL EMPLOYEES SHALL BE
18 PAID BY THEIR EMPLOYER IN THE NEXT SUCCEEDING STATE FISCAL YEAR.

19 (8) The superintendent of public instruction and the direc-
20 tor of the department may require evidence of correctness and may
21 conduct an audit of the aggregate compensation that the superin-
22 tendent of public instruction or the director considers necessary
23 to establish its correctness.

24 (9) The amounts required for the employer's share of social
25 security contributions for employees of the reporting units shall
26 be appropriated annually. The appropriation shall be paid from
27 the state school aid fund for MEMBERS WHO ARE employees of a

1 public school district or intermediate school district and from
 2 the general fund of this state for ~~employees~~ MEMBERS who are
 3 other public school employees The appropriation for each public
 4 school district and intermediate school district shall be dis-
 5 tributed monthly by the department of education The reporting
 6 unit shall forward employee and employer social security contri-
 7 butions and reports as required by the federal old-age, survi-
 8 vors, disability, and hospital insurance provisions of title II
 9 of the social security act, ~~Chapter~~ CHAPTER 531, 49 Stat 620,
 10 42 U S C 401 to 405, 406 to 418, 420 to 423, 424a to ~~426~~
 11 426-1, and 427 to 433 This subsection does not apply to employ-
 12 ees of a district library as defined in section 69g

13 (10) For differences occurring in fiscal years beginning on
 14 or after October 1, 1988, a minimum of 20% of the difference
 15 between the estimated and the actual aggregate compensation and
 16 the estimated and the actual actuarial employer contribution rate
 17 described in subsection (7), if any, may be ~~submitted in the~~
 18 ~~executive budget to the legislature for appropriation~~ INCLUDED
 19 IN THE AMOUNT DUE AND PAYABLE UNDER SUBSECTION (5) in the next
 20 succeeding state fiscal year and a minimum of 25% of the remain-
 21 ing difference shall be ~~submitted in the executive budget to the~~
 22 ~~legislature for appropriation~~ INCLUDED IN THE AMOUNT DUE AND
 23 PAYABLE UNDER SUBSECTION (5) in each of the following 4 state
 24 fiscal years, or until 100% of the remaining difference is sub-
 25 mitted, whichever first occurs In addition, interest shall be
 26 included for each year that a portion of the remaining difference
 27 is carried forward The interest rate shall equal the

- 1 actuarially assumed rate of investment return for the state
- 2 fiscal year in which payment is made ~~This subsection does not~~
- 3 ~~apply after September 30, 1994~~